

**Statement of Families USA  
Before the Task Force on Drug Importation  
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Mr. Chairman and other members of the Task Force, it is my pleasure to be here today to speak to the issue of prescription drug importation on behalf of Families USA.

Families USA is a not-for-profit consumer advocacy organization dedicated to the achievement of high-quality, affordable health care for all Americans. This has led us to work extensively on issues related to drug pricing, because without access to affordable prescription drugs, it cannot be said that individuals have access to the health care they need.

I'm here today to speak to Americans' struggle with high drug prices and the relief that importation might offer rather than to comment in depth on safety issues. All on this Task Force are well aware of the fact that, in this country, spending on prescription drugs is rising faster than any other component of health care costs. Drug price increases are responsible for a large part—over a third—of the increase in spending on pharmaceuticals. In 2002, prices for the drugs most frequently prescribed to seniors rose nearly 3-and-one-half times the rate of inflation. Drug prices in the United States are substantially higher than prices paid by citizens of other Western industrialized nations. The high drug prices that Americans shoulder, either directly or indirectly, are to a large extent the result of policies that favor the interests of the drug industry over the interest of citizens.

Unfortunately, the recently passed Medicare Prescription Drug, Improvement and Modernization Act of 2003, continues that trend. It does little to provide real price relief for Americans. The law expressly prohibits the government from negotiating for lower drug prices on behalf of Medicare beneficiaries, as it does now for the Department of Veterans Affairs. Negotiations will be left to the regional private drug plans delivering the benefit, plans that will not have Medicare's consolidated purchasing clout. As a result, costs to Medicare will increase year over year and by amounts greater than they would if Medicare could negotiate prices. The law ties changes in beneficiaries' out-of-pocket exposure to Medicare's costs, so as Medicare's costs increase, so will seniors'.

Because we do so little to moderate prescription drug prices, the Congressional Budget Office estimates 8.57 percent annual inflation in Medicare's drug costs under the new law. Families USA has calculated that the

senior with average drug expenses as projected by CBO, who is living at the median income, will see the share of their income consumed by prescription drug expenses rise from 8.8 percent in 2006 to 12.3 percent by 2013.

The new law is destined to fail if we cannot find a way to moderate this unacceptable rate of inflation. The 'doughnut hole' in the new drug benefit, costs entirely borne by the individual, grows from \$2,850 in 2006 to \$5,066 by 2013. A benefit leaving seniors exposed for such a large amount of their drug costs is politically unsustainable—and the sooner we address this problem, the sooner public trust in the new law will be possible.

Drug importation, particularly if limited only to Canada, is not a long term solution to the problem of rising drug prices. It is not a substitute for the government negotiating prices. It is, however, a step toward injecting real price competition and some price transparency into the pharmaceutical market. Drug prices in Canada, as in other countries, are much more public than in the United States, where the actual prices paid by most purchasers are shrouded in mystery. This competition would put price pressures on the industry; that would result in some relief for Americans who are saddled with the highest drug prices in the world. Importation would help many to better afford the medications they need, particularly the over 43 million Americans with no health insurance who have no one to bargain for lower drug prices on their behalf. When examining importation, the Task Force should keep the needs of these individuals in mind.

Much has been said about safety issues related to importation, and I am not here to negate those issues. There are safety issues with importation just as there are safety issues for sales within the US now, issues that have recently led to stepped safety requirements for drug wholesalers. As Americans continue to struggle with exorbitant and ever rising drug prices, counterfeiting that preys on low-, and even middle-income, Americans who have to choose between medicines and food will only increase. Until we have a system that makes medications affordable, counterfeiting will be a problem, with or without importation.

We manage right now to safely sell in the United States drugs made in other countries, such as Ireland and Germany; it is just that they are imported through the manufacturer and priced for US sale. We also manage to safely import a vast range items such as vitamins, beverages, and food products that are manufactured in other countries. If these products were tampered with, there could be disastrous public health consequences. While there are concerns specific to prescription drugs, the technology is there to ensure safety through such things as bar coding and tamper proof packaging. We are certain that the Task Force can arrive at ways to adequately, and cost effectively, address safety concerns so that Americans can finally have access to drugs at prices on a par with those enjoyed by the rest of the industrialized world.

Families USA supports opening up importation to the pharmaceutical products of all advanced industrialized nations that have FDA recognized quality controls and manufacturing standards. Basically, these would be the core OECD nations. If importation is limited just to Canada, it will help individuals, but because of the ability of the huge pharmaceutical companies to control the price and quantity of product in a

nation smaller in population than California, importation limited to Canadian will not be very useful in slowing the rate of prescription drug inflation in the United States. However, broader importation would bring us a de facto kind of parallel or reference pricing system that has worked well in so many other nations. In addition, it would allow Medicare Prescription Drug Plans and Medicare Advantage plans to buy in bulk and obtain savings in the billions for taxpayers and Medicare beneficiaries. Importation should be regulated to ensure safety. In addition to reviewing manufacturing standards of other countries, we urge the Task Force to review the safety practices of countries that engage in parallel trade in pharmaceuticals. We are, again, confident that the Task Force can arrive at a feasible and cost-effective way to allow importation and finally bring some prescription drug price relief to Americans.

Thank you, members of the Task Force, for the opportunity to deliver this statement on behalf of Families USA.